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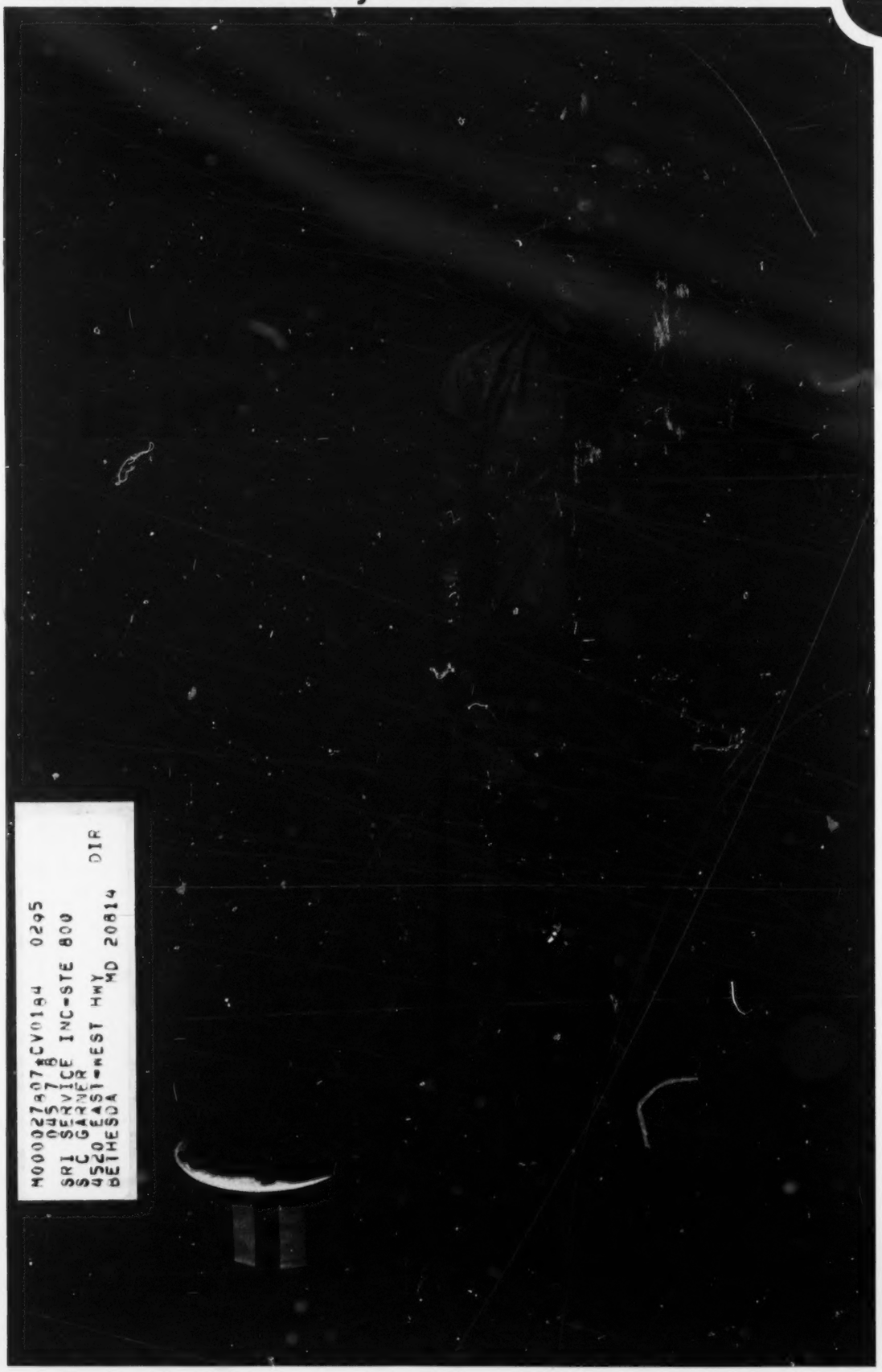
February 1984

MART 84®

Business Ideas Today's Retailer Needs to Know



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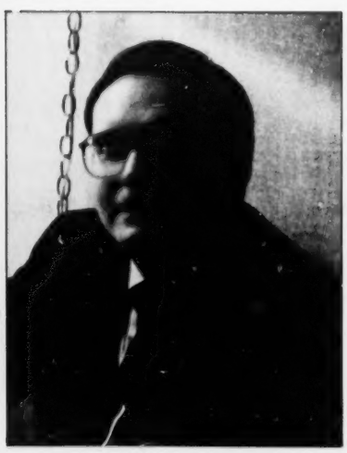


MART 84

ESTABLISHED 1953

February 1984

Business Ideas Today's Retailer Needs to Know

Volume 30, Number 6

Group Publisher
Martin Akel

Publisher
William McGorry
9 E. 38th St., New York, NY 10016
(212)725-0530

Editor-in-Chief, Associate Publisher
Cathy Ciccolella
(212)725-0530

Managing Editor
Leslie A. Azia

Senior Editor
Peggy Odenbach

Associate Editor
Jim Robins

West Coast Editor
Elliot King

Contributing Editors
John Foster, Art Weinberg,
Jack Blood, Lois Panosh

Art Director
Kathleen Pine

Production Director
Judy Petrone
(201)361-9060

Circulation Manager
Mary Kuroda
(201)366-3400

SALES OFFICES

New York
Judith L. Miller
Eastern Sales Manager
(212)725-0530

Chicago
George Stevens
4825 N. Scott St. #62,
Schiller Park, IL 60176
(312)671-2430

West Coast
17621 Irvine Blvd., Suite 201,
Tustin, CA 92680
(714)669-1990

BPA ABP

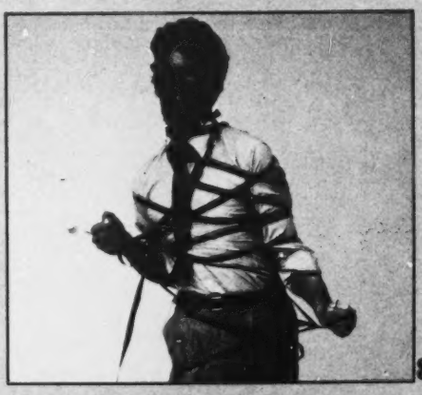
GORDON PUBLICATIONS, INC.
A Gordon Communications Company

13 Emery Avenue
Randolph, NJ 07869-1380
Mailing Address: Box 1952, Dover, NJ 07801-0952
Tel. 201/361-9060

Chairman of the Board
THEODORE E. GORDON
President
KENNETH M. NELSON

Publishers of MART •TCR
Home Electronics Product News
Computer Dealer • Software Retailing

RETAILING 84



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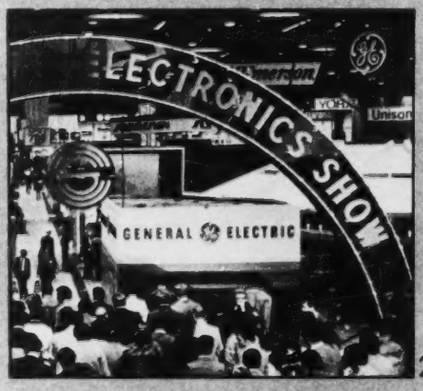

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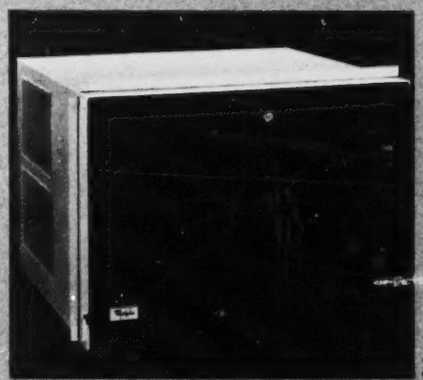

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MART (USPS-854-280), including Electrical Dealer, is published monthly by Gordon Publications, Inc., 9 E. 38th St., New York, NY 10016, (212) 725-0530. Second class postage paid at Dover, NJ 07801-0952. Subscription rates: $30 per year in the U.S., $42 all other countries, airmail $84. Single copy, U.S., $3; all other countries, $6. Publisher reserves the right to accept or reject any subscription. Microfilm copies of complete issues or reproductions of individual articles from microfilm prints can be obtained from Xerox University Microfilms, Ann Arbor, MI 48109.

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Change of Address: Send to Circulation Manager, MART magazine, P.O. Box 1952, Dover NJ 07801-0952.
Postmaster: Send address change to MART, P.O. Box 1952, Dover, NJ 07801-0952.

ELECTRONICS 84

Audio '84: Very Alive, Very Well

Expanded product lines, price points are stabilizing audio sales in '84

Although many manufacturers—such as Magnavox, Sony Consumer Products, JVC, and Kenwood—were not showing new product lines on the East Hall floor of the Las Vegas Convention Center at Winter CES, re-

Fisher's Dave Karron showed three new rack systems at Winter CES.

tailers shouldn't be alarmed: home audio for 1984 is very much alive and, in fact, confidently stable.

Rather than flood the market every six months with a plethora of bells

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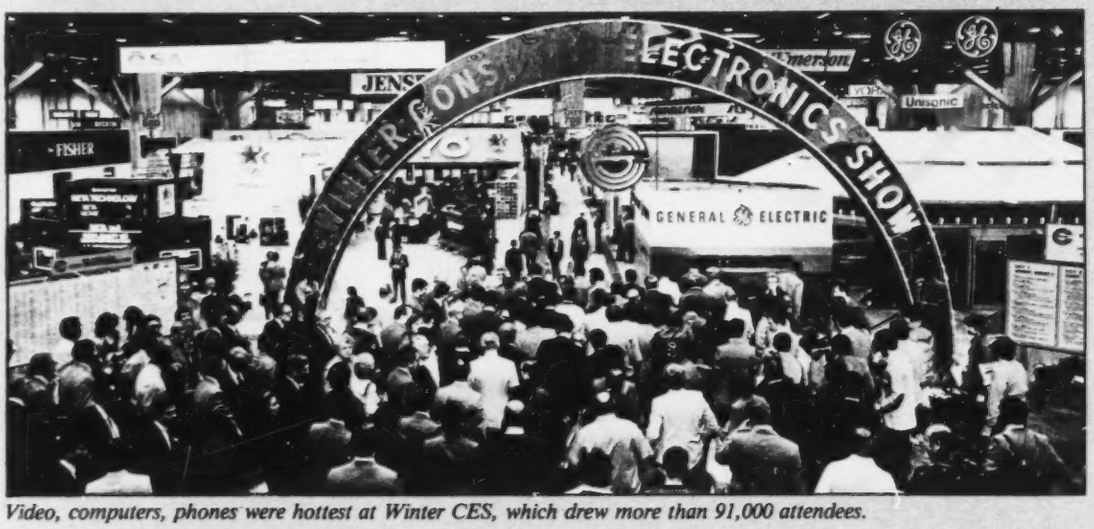
Winter CES: What It All Meant



Video, computers, phones were hottest at Winter CES, which drew more than 91,000 attendees.

As attendance edges toward the 100,000 mark, the Consumer Electronics Show has established itself as the largest trade show in the country, according to show organizers.

Retailers attending last month's mammoth event in Las Vegas would have no argument with that. Winter CES registration totaled 91,245, according to The Electronic Industries Assn.'s Consumer Electronics Group, with 1,337 exhibitors showing off their wares. Even with the addition to the Convention Center of the new, 120,000-sq.-ft. West Hall, which housed primarily computer-oriented companies, this 12th winter show stayed crowded throughout.

(Last year's Winter CES, by comparison, had more than 78,000 registrants and 1,056 exhibitors.)

The mood of the show was generally upbeat. Most exhibitors had come off a strong Christmas selling period, and were optimistic about first-half prospects for this year. And most retailers, whose Christmas selling seasons had also been merry, arrived in Las Vegas in a good open-to-buy position, ready to talk deals with their suppliers.

Among the areas drawing the most retail attention—and crowds—were the video exhibits, as manufacturers fielded questions about their plans to market—or not to market—8mm vi-

[Continued on page 26]

8mm Video: What Impact on Portables?

Suppliers not offering 8mm say it could hurt half-inch; those with 8mm downplay risk

The most-talked-about video product at last month's Winter Consumer Electronics Show was one that very few companies were displaying and none plans to market until at least the third quarter: the 8mm camera/recorder.

Whether or not they plan to offer an 8mm unit this year—and a number of companies were hedging the issue—most video marketing executives had strong opinions to express on the product's long-term viability . . . and, more important to video retailers, its short-term effect on sales of portable video cassette recorders.

The announcement of 8mm video recording as a coming technology, and especially the consumer publicity Kodak got with its plunge into the video-hardware business, the anti-

[Continued on page 28]

Computer Crowd is Bullish on Prospects for '84

Selling function, not price, in computers is the word from CES

Computer-hardware manufacturers took advantage of this year's Winter Consumer Electronics Show to chart a new offensive. A consensus seems to exist among the computer crowd that 1984 is the year when the micro-computer revolution will firmly take root in the home.

Retailers can look forward to an intensive marketing push from computer manufacturers, emphasizing what the micros can do to make life easier for the consumer. "It's time for manufacturers to make consumers say, 'Wow, I didn't know a computer could do that,' instead of killing each other with price," summed up Don Kingsborough, president of Atari.

Kingsborough, in an exclusive interview with MART, promised that in addition to Atari's current line of XL computers and software, his company will soon be marketing peripherals that in conjunction with a microcomputer would be monitoring the household, from car diagnosis in the garage to the sprinkler system on the front lawn. "We want our computers to be a central cog in the home of the future," Kingsborough explained.

Meanwhile, Atari's competitors are

[Continued on page 24]

HOME COMPUTERS

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1982	2,000	1,300
1983	4,800	1,950
1984	6,800	2,750

Source: Industry estimates

Phones Off the Roller-Coaster?

Sales should be more stable, suppliers feel, though cordless could get chaotic

This year the telephone market will stabilize. This is not to say, however, that it will stagnate. Rather, the telephone industry will flourish, but is will not experience the extreme ups and downs it saw last year.

Telephone-industry authorities MART interviewed at the Winter Consumer Electronics Show in Las Vegas noted that 1984 will not experience a doubling in sales, as in the past. Instead, they propose, sales growth will

[Continued on page 30]

1984 'The Year of the Specialist': CES Panel

The new cordless frequencies, and cheap imports, could cause market confusion

"When the FCC decided telephones were not a utility, but a consumer product, it opened up the industry and the fierce competition seen on the retail floor today. Telephone sales have increased 550 percent over the past three years—from 1982 to 1983, the industry saw a 346-percent increase alone. This year that growth will slow somewhat, to a 57-percent growth rate."

These comments were made by Bill Kopp, national sales manager for Panasonic, in his opening speech as moderator of the telephone-equipment conference at the Winter Consumer Electronics Show in Las Vegas.

In addition, Kopp noted that 1984 will be the "year of the specialist, "advising the specialty phone retailer to educate customers instead of frightening them away. The way to do so, he noted, is by studying magazines and literature available to the retailer today.

"Structure your inventory with easy-to-understand, step-up products, stock the basics, and provide service and repair over and above manufacturers' warranties," he told the packed audience of retailers.

"Establish yourself as *the* place in the community to buy phones. Advertise, merchandise, and market; offer free advice in seminars. Most importantly, monitor your salespeople to make sure they are making the sale and making it stick.

"In addition, do not neglect the small businesses in your community, by carrying lines of small-business equipment.

"This year telephones can be the greatest opportunity for retailers . . . or the greatest disaster," Kopp noted.

TOTAL TELEPHONES

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1982	5,700	400
1983	19,700	925
1984	31,000	1,275

This is the "year of the divestiture," also, Kopp added: "No one fully understands what's going to happen. But AT&T will have to take its gloves off and battle with the rest of us . . . "

A projected 31 million telephones are expected to sell in 1984, for a total of $12.8 billion in sales to dealers. Corded-phone sales alone should account for 25 million units and $8.25 billion dollars, a 57-percent growth over last year. The average price per unit will decline by only a few dollars.

Although pricing of basic models will become sharper, the average price per unit will decline by only a few dollars, Kopp noted.

In the cordless-phone arena, sales will not experience the doubling this category has seen each year for the past years, but rather will slow down to a 28-percent increase, according to EIA figures.

Interference will continue to persist with cordless phones beeause the FCC did not make provisions for security, said Kopp. He suggested that the retailer tread carefully.

"Don't sell cordless phones in place of a corded phone. Include high-quality and high-end units in your inventory, and prepare for returns. Remember, you're not selling a telephone, but rather a two-way radio," Kopp advised.

As for telephone-answering devices, unit sales are expected to increase 32 percent, from 2.2 million in 1983 to 2.9 million, worth $250 million, in 1984.

"The divestiture has affected the telephone industry in general—it has created a new and formidable adversary. AT&T will fight each of you, but that will make us all formidable," said F.A. Foresta of Record-A-Call, one of four manufacturers on the telephone-equipment panel.

George Hardy of Mura added, "None of us really knows the full effect of the divestiture."

However, retailer Dayna Ruliffson of Good Connections, in New Orleans, said, "The divestiture increased consumer awareness about telephones, but it also created a negative awareness and confusion as well. There is a definite need for consumer education."

"It was a publicity event. Consumers could buy phones for the last few years. The divestiture was a phenomenon of the long-distance dialing systems. The media and Bell have taken an aggressive stance of phenomenal importance to us," said Alex Cliento of Anova Electronics.

What about the shake-out expected to occur?

Said Hardy of Mura, "Everyone talks about the shake-out, but we have new entrants such as traditional consumer-electronics companies that are coming in with strong distribution bases. The marketplace for brand names will become increasing sharp."

On the issue of new cordless frequencies, retailer Jeff Zorn of The Phone Works, Detroit, noted that presently cordless phones are not selling because of bad publicity about them—he feels the new frequencies will help. He added that he's tried cordless phones on the 49/49 mHz frequency that sound as good as corded phones.

Ruliffson of Good Connections added that she is not stocking cordless phones in any depth, but is still marketing them because there is still a demand for cordless phones in her area.

'Don't sell cordless in place of a corded phone. Remember, you're not selling a telephone, but rather a two-way radio.'

On the subject of one-piece electronic phones Norman Shink of Quasar Microsystems, said, "There are still plenty of companies selling one-piece phones for the cost of materials, and there are still plenty in the Orient that will be dumped." He foresees massive close-outs by importers. But, he added, "You can't fool American consumers. They're used to good quality."

Hardy from Mura added that the one-piece phone is still a good phone: "The one-piece market was a $15-million-unit-a year market, and strong demand still exists. It won't be as crazy as last year, and it might be messy in '84, but it will stabilize."

Zorn of Phone Works noted that basic phones will probably be the biggest sector in sales this year.

Ruliffson added, however, that the retailer must beware that the two-piece market, with all the importers of poor-quality phones, might become like the one-piece market, and that the retailer must be careful with whom he or she does business.□

PEGGY ODENBACH

3M Targets New VCR Buyers

In a move to become a "world-class leader" in the video-tape market, 3M kicks off two major consumer promotions this month.

The company is targeting first-time buyers of video cassette recorders with its marketing efforts; according to 3M, a VCR owner buys from 25 to 33 percent more blank cassettes in the first year of VCR ownership than in subsequent years.

Through June 30, a new "Scotch Rewards or Rebates" campaign offers consumers a variety of options with the purchase of from one to 15 video cassettes. These options range from a $1 rebate, two free audio cassettes, or an audio-cassette holder with the purchase of one Scotch video cassette, to a buy-one, get-one-free offer of a round-trip flight on Republic Airlines with the purchase of 15 video tapes.

The second promotion offers consumers a new "buyer-protection" plan: a consumer who buys any VCR plus 10 Scotch video cassettes can get an extension on the VCR's warranty for up to one year free from 3M. A consumer who buys a VCR plus five Scotch cassettes gets the extended warranty for $10.

This promotion also runs through June 30, "but if it's successful, we'll extend it," commented Bob Burnett, newly named marketing director of 3M's consumer magnetic audio/video division.

"A lot of retailers make a tremendous error at point-of-purchase—they let a number of their customers who buy a VCR walk out without tape," Burnett added. "This type of promotion should definitely encourage consumers to buy tape with the machine."□

Curtis Mathes Seeks Franchisees

Curtis Mathes, which has had its greatest concentration of retail distribution in the Sunbelt, is moving to go fully national with a new franchise program now underway.

With about 700 active franchise stores currently selling its products, according to Curtis Mathes President and Chief Executive Officer Lud Huck, the company's goal is "to add from 75 to 100 more franchise outlets each year for the next several years."

Franchisees are required to sell Curtis Mathes products exclusively, except for a few approved items, such as accessories, not offered by the firm. Most franchise stores also stock pre-recorded video cassettes, tying in with Curtis Mathes' "Show Stopper" video-club program. Curtis Mathes dealers are also encouraged to stress the company's four-year warranty on every product.

To secure a franchise, prospective dealers need $25,000 for the franchise investment, plus $50,000 per store for inventory and fixtures, Huck said. The company offers extensive sales training for new store operators, including a "Curtis Mathes University" program at its Dallas headquarters, and also provides experienced store managers to work with new franchisees during the first days their stores are open.

Curtis Mathes plans to support its brand with more than $20 million in national advertising between now and the end of 1985, Huck said.□

From Sibelius to the Stones, Home Audio Reaffirms its Niche

[Continued from page 21]
and whistles and black boxes, many companies are taking a carefully guided approach, introducing pieces which broaden existing lines and price points, to attract a wider consumer base. Other firms are waiting until the June CES to release new items, or are busy filling the pipeline with high-demand product, such as component systems and compact disc players. Some manufacturers, such as Magnavox and Technics, have also lowered price points on second-generation CD players in order to be positioned more competitively in the marketplace.

The resurgence of the record industry, led in part by M-TV and Michael Jackson's 14-minute, $1-million video "Thriller," which has already netted over $30 million, combined with an unflagging economic turnaround through 1983 and into '84, second-time buyers returning to the fold to upgrade systems, and advanced technology exhibited by CD players and the up-and-coming stereo TV, have all helped perk up audio sales through '83, explained Jim Twerdahl, JBL president, in his keynote address at the WCES audio conference.

According to estimates prepared by the Electronic Industries Assn./Consumer Electronics Group, unit sales of audio components—coined the "heart and soul" of the audio business by Twerdahl—jumped 6 percent in '83, with at least 4-percent gains projected for '84. Factory shipments of compact and component systems climbed 14 percent in '83 over '82 unit sales, and 12 percent in dollar volume. Compact and component unit sales are expected to exceed $3 million in '84, charting an increase of 6 percent in unit volume and about 4.5 percent in dollar volume.

Hitachi's Duncan sees 100-percent retail margins on CD players.

"Hi-fi sales for Pioneer were up about 40 percent," touted Chris Byrne, Pioneer Electronics' home audio vice president of marketing, "due to reorganization of our company and our exciting product line. In particular, components are performing well. So we are rounding out our audio line with high-end audio/video receiver SX-V90, at $800, and cassette deck CT-A9, for $800, which compares to the $1,800 Nakamichi Dragon. Second-time buyers who enjoy music are replacing three- to five-year-old equipment with units offering new technology such as ETR."

Due to a 20-percent increase in '83 sales, Kenwood Electronics is experiencing a back-order situation with one-brand and basic component systems, which command 50:50 shares of Kenwood's business.

"Demand is coming from everywhere, so we don't have enough inventory. The economy has improved; our dealers are working more closely with us and have become more aggressive and are advertising more—creating a utopia of demand," explained Sam Rosenzweig, marketing vice president of home audio.

"The one-brand consumer has also changed. Once it was the first-time buyer and the female market. Now it's become the second-time buyer and the 34-to-50 age group.

"Our product line is also well-accepted. As performance has gone up, it's become very competitive at the right price point and with the right features. Due to black cosmetics, our systems are considered as furniture that fits into the home.

"Consumers also want cassette decks and digital tuners with ease of operation. And they're not stopping at the $500 price point—our best-selling system costs over $1,000," declared Rosenzweig.

He also expects production levels to relieve demand by April. "We're planning a controlled growth period in '84 without going overboard," he said.

Consumer benefits and convenience features are also important, stressed Aiwa's national sales promotional manager, Vince Wheeler, aimed at "getting consumers into audio and department stores and selling consumers on having quality home stereo."

Akai posted a 17-percent gain in audio sales in'83, reported Chuck Phillips, executive vice president; as a result, "inventory on receivers will be tight in the first half," he told MART. "And though I expect no slackening in the component business, because the marketplace is improving, we're putting greater focus on packaged systems priced between $800 and $1,000."

The Akai end-user is also different; he observed: "The Compo Fusion customer is more established, with greater disposable income, and is moving away from inexpensive rack systems."

Phillips also noted that specialty stores are selling more high-end components, leaving department stores to push "expensive racks, such as Fisher's. But less-expensive cassette decks are also becoming popular, especially with first-time buyers. Automatic reverse record is also sought-after," he added.

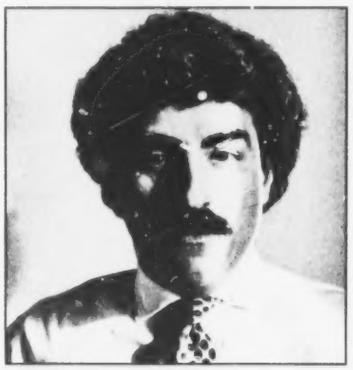
On the heels of its successful promotional campaign with the $2,500 4900B rack system, which completely sold out in '83, Fisher is debuting three new rack systems at lower price points of $2,000, $1,500, and $1,300. "We're offering the same features and benefits—the same CD player and different equalizers, tape decks, turntables, and speakers—but as production increases, the price comes down," explained David Karron, vice president of sales for Fisher.

Tom Yoda, Sansui's vice president of marketing, concurs that hi-fi is moving in a positive direction. "More one-brand systems are selling, but components are definitely taking off. The high end is also picking up," he said.

"Consumers are looking for a new, total concept in home entertainment. And as first-time buyers become a greater segment of the market, penetration of total households will climb. Yet tremendous potential still exists in '84."

(Household penetration of audio systems is 80 percent, according to EIA/CEG statistics; however, audio components comprise only 33 percent of U.S. households, compared to 45 percent of European households and two-thirds of Japanese households with audio-component systems, pointed out JBL's Twerdahl.)

Another company "tightly allocated in all product categories" for the first half of '84 is Magnavox, according to A.J. Menozzi, director of audio sales. "Due to our partnership with N.V. Philips—delivering product known for its technology—in addition to having our distribution in place in department stores, sales have been astronomical. In fact, our best-selling items have been clock radios, personal stereo headphones, and hi-fi systems.



A.J. Menozzi said Magnavox is 'tightly allocated' on CD.

Magnavox has also cut the price on its compact disc players, bringing the FD 1000SL under $600 and the second-generation FD 2020 SL and FD 3030SL players in at $699 and $799, in order to position itself competitively and to "offer a consumer-friendly, mass-consumer product that is not just for audiophiles," asserted Menozzi.

Although Hitachi's new DAD 1010 player at $595 will be in limited supply, admitted area sales manager Jon Duncan, sell-through on its $1,000 DAD 1000 and DAD 800 have been excellent.

"Dealers have been able to make 100-percent margins. We also hope to open up new dealer avenues with the DAD 1010 to make CD a mass-merchandiser item through a systems concept. We want to sell the compact disc and audio system to the same consumer who is buying video. And from a dealer's point of view, it's a profitable line, because we're a limited distribution house," Duncan said.

Magnavox's Menozzi also projects that a "CD explosion will happen this fall, when prices on players come down, the number of software titles increases, and consumer awareness expands." Consumer education about the digital audio compact disc remains the thrust of many companies' promotional plans, including Sony and Technics, in the first half of '84.□

LESLIE A. AZIA

SEPARATE AUDIO COMPONENTS

	Total Factory Sales in Dollars (Millions)
1979	1,178
1980	1,424
1981	1,363
1982	1,181
1983 (proj.)	1,250
1984 (est.)	1,300

Source: EIA/CEG

Computer Crowd Is Bullish on Prospects for 1984

[Continued from page 21]
also eyeing that home of the future as a digital dollar bonanza. Commodore, whose former president, Jack Trameil, took pride in saying his company makes computers "for the masses, not the classes," unveiled a new line of computers that should be available sometime early in the second quarter.

Commodore's new 264 computer will be available during the second quarter.

Commodore's new 264 series, targeted at the home, is a sophisticated line that demonstrates that this year's big winner in the home market thinks "the masses" want to do some serious computing. Commodore's new line, for example, will offer "3-PLUS-1," a built-in software option that includes word-processing, electronic spreadsheet, file management, and a graphics package.

"We believe the home market is ready for a computing package that can be a business tool, educational aid, or a sophisticated personal workstation," said a Commodore spokesperson.

Coleco, maker of Adam, the all-in-one home-computer package, joined rival Commodore in introducing a line of peripherals to expand its system. "We think the consumer market wants a system that can grow," explained Arnold Greenberg, president of Coleco.

Coleco is betting that purchasers of Adam will grow into a list of extra offerings, including a 5¼-inch disk drive, an additional data drive, and a 1,200-Baud modem available "sometime in the second half."

"The expansion capability of the Adam," explained Al Kahn, senior vice president/marketing of Coleco, "will give consumers a certain comfort level about the system."

What has been causing retailers and consumers a certain amount of discomfort about the Adam are persistent reports of defects and short supply. But Greenberg adamantly told MART that Adam's return rate had been "blown way out of proportion," and that a new nationwide service agreement with Honeywell would be able to take care of all customer-service problems.

"And we finally are prepared to give retailers the supply they need," he added.

Availability is a key question for home-computer retailers in the coming year. But all the manufacturers MART contacted at Winter CES echoed Greenberg's claims that they would have the numbers to meet consumer demand.

According to industry estimates, home-computer unit sales will leap from last year's 4.8-million-unit figure to 6.8 million by year-end 1984. From the product shown at Winter CES, those consumers entering the market this year will be buying an increasingly sophisticated product, compared to last year's models.

One indicator of the rapid maturation of the home-computer market was the appearance of two high-end manufacturers at this year's Winter show, Apple and Kaypro. "The market wasn't ready for us before," explained Mary Ann Peters, manager of home markets of Apple. "But it has changed—the time is ripe for us. The media have done a good job of educating people. Plus, Apple has a very large installed base in the schools and a huge list of educational software available. That makes us extremely attractive to a home market in which 60 percent of the people purchasing computers say they want them for education."

"I see a computer-buying public that wants completeness," commented David Kay, president of Kaypro. "They want a complete package for affordable price."

Kay was reeling from the success of his company's first appearance at Winter CES. He told MART that response from retailers for the Kaypro line of portable computers, which come complete with built-in disk drives and monitors and retail in the $1,500-plus range, had been "fantastic." The interest his line received from mass merchants, he added, was a clear indicator of how the computer market had matured since last June, when he didn't think the market was ready for Kaypro to make a Summer CES appearance.

IBM still doesn't think CES is the place to show its new PCjr, even through the computer giant will be going head-to-head with manufacturers represented at the winter show. Several manufacturers MART spoke with felt *their* sales had already benefited from the PCjr, however, because of its relatively high price point.

Apple's Peters spoke for several of her colleagues when she said, "We definitely gained at Christmas from sales to people who were waiting for the PCjr, and then decided against it when they saw what they were going to get and at what price point."□

JIM ROBINS

Room at the Top

Richard Bratt has been promoted to vice president of software development for *Spinnaker Software;* he was previously director of software for the company . . .

Akai America has promoted two executives to vice president: **Michael Wiggins,** formerly director of sales, is now vice president, sales. **T. Kobayshi,** formerly secretary-treasurer and controller, is now vice president of finance and operations . . .

Newly named senior vice president-sales and marketing, consumer products, for *Zenith Radio Corp.* is **Gerald M. McCarthy,** previously vice president-sales, consumer products . . .

Jack Tweddale has been named president of *Super Tel Inc.* He was previously with *Tomy's* home computer division . . .

Frank J. DiLeo has been elected president and chief operating officer of *Dynascan Corp.* He was previously executive vice president. **Carl Kom,** who had been president, continues as chairman of the board and chief executive officer of the company . . .

Newly named marketing director of consumer products for *3M's* magnetic audio/video products division is **Robert F. Burnett,** who had been business developement manager . . .

Bruce M. Allan has been named to the new position of director, strategic planning, for *RCA Consumer Electronics.* He was formerly director, video systems product planning . . .

Gary Khammar has been promoted to vice president, sales, of *RCA/Columbia Pictures Home Video;* He had been director of sales. . .

Karl Video Corp. has named **Harold Weitzberg** director of sales. He was previously a video-telecommunications consultant . . .

Kathy Van Brunt has been named vice president of program development for *Vestron Video.* She was previously the firm's vice president of programming . . .

HOME COMPUTER SOFTWARE

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1982	na	250
1983	58,000	1,050
1984	88,500	2,200

Source: Industry estimates

Software Suppliers Show Savvy at Winter CES

Software manufacturers showing at Winter CES displayed an unprecedented amount of savvy in their packaging and marketing plans for 1984.

The home-computing software industry has come of age. Manufacturers, including Spinnaker, CBS Software, Electronic Arts, Simon & Schuster, Scholastic's Wizware, The Learning Company, and Epyx, displayed new dynamically illustrated software they plan to support with major ad budgets and promotional tours by the authors.

These software publishers are putting their emphasis on education and productivity. The trend toward adapting popular TV shows, books, and celebrities into these packages was prominent at Winter CES. CBS Software's licensing of the Sesame Street characters, and Electronic Arts' Dr. J and Larry Bird 'One on One' basketball-game software package were but two prominent examples.

More Promos than New Product in Audio Tape at Winter CES

Only minor price fluctuations are expected this year in the stable audio-tape field

Leading manufacturers of branded audio tape are forecasting a gradual growth in sales and "fairly stable" pricing in the year ahead.

At the Winter Consumer Electronics Show retailers found emphasis on first-half promotions of audio tape, rather than new merchandise being introduced, at many exhibits. Most suppliers noted that their promotional efforts will be directed toward stepping customers up to premium high-bias tapes.

Industry sales of branded audio tapes will continue to be steady. Blank-tape sales reached about 215 million units for a dollar value of approximately $230 million last year, up 4 to 5 percent over 1982, according to the consensus of manufacturers interviewed by MART. Unit sales are expected to rise another 4 to 5 percent this year, industry leaders predict.

Though pricing is expected to be comparatively stable, this stability will be determined largely by the state of the economy and supply of the product, according to Mike Standley, national sales manager, consumer audio products, for Maxell. "It also will depend on how retailers choose to promote the merchandise in their various markets. Pricing ultimately is in their hands," Standley noted.

As the market becomes more mature, pricing tends to become more stable. But the flip side of this, according to 3M's Bob Burnett, marketing director, consumer magnetic audio/video products division, is that audio tape has become a "true commodity." This development, feels Burnett, makes it harder to get a handle on pricing.

Pricing fluctuations are expected to be only minor, wth high-bias C-90s probably most sensitive to change, depending on supply and demand, one reliable source told MART.

Sources at Winter CES indicated greater use in the first half of television and radio advertising to supplement national print campaigns. Emphasis will be on premium or high-bias products, as key suppliers seek to encourage the consumer trend to step up to higher-performance, higher-priced product.

The trend toward multi-packaging of product will continue. BASF will step up is promotion of its Pro II Chrome cassette line. The company unveiled at Winter CES its program involving a free carrying case with the purchase of five C-90s. The case holds 10 tapes and also can be used by retailers as a merchandiser, explained Bob Morrison, product manager, audio, for BASF.

3M is offering its XS I and XS II in dual packs.

Sony announced at the show "strong dealer programs" for the first quarter, then will move into consumer programs in the second quarter with "sell-through" efforts, explained John Bermingham, vice president of marketing, Sony Tape.

Maxell is relying more on all media—TV, radio, print—to reach consumers. The firm plans heavy radio and print campaigns and in some markets TV advertising as well, Mike Standley told MART.

PD Magnetics is adding two new audio tape lines, a high-grade and a "quality" grade.

TDK introduced at Winter CES a new, "HX" tape designed for use with digital audio equipment, according to National Sales Manager Doug Chatburn. The 60-minute tape is said to offer increased frequency response.

Fuji Photo Film highlighting new promotional and marketing programs for its GT-I tape series; GT-I tape will be promoted heavily. "The industry has reached a level in audio where areas of specialization in tape are important. Just as metal tape is important to the audio-phile market, GT-I, we believe, is important in its use with car-stereo and portable-audio products," said John Dale, vice president and general manager, magnetic tape division. The company is running a consumer sweepstakes to promote the GT-I line.

How important is metal tape? Does a market still exist for metal? Though most major suppliers feel the market remains quite small, accounting for only 1 percent (or less) of sales in leading lines, two sources told MART the industry is misguided in its evaluation of metal tape.

Fuji's John Dale said it is obvious that people within the industry do not understand the advantages of metal tape: "There's more than a good market for metal tape, especially now with the advent of a better music-delivery system, such as the digital audio disc."

Regarding digital audio, Dale raised the "inevitable question": Does the consumer want to listen to the entire album from beginning to end? Or only to segments?

Dale suggests many consumers will want to tape from digital discs and listen only to segments. "The only audio cassette capable or coming close to the dynamic range of digital audio discs is metal. Now the user has close to 80db of dynamic range, and can utilize the capability of the metal tape . . . when recording for the auto or even programming for home or portable use," Dale explained.

Metal tape has a strong position in the audiophile market, he continued. Dale also noted that metal-tape technology is a natural lead-in to the better video tape, which newer equipment will eventually require. He referred specifically to 8mm, which requires a metal or metal-evaporation-type tape.

"Those companies not involved in metal-tape technology are going to be substantially behind in developing the technology for video," Dale told MART.

Maxell concurs with Dale's point of view. "At this time, metal is still a highly refined and somewhat limited market. It's a very small part of our business now, but an important part both for image and R&D," Mike Standley told MART.

Maxell has built much of its marketing strategy for its new XL-S cassettes on the tape's capabilities with the digital audio disc.□

Denver Dealer Gives High Hoots to CD

Not only is Walt Stinson, president of Listen Up in Denver, CO, enthusiastic about the high-end market for 1984, but he is fervently bullish about CD as well.

Perhaps it is the firm's marketing commitment to store image and consumer awareness that places the company out front, and helped profits grow 17 percent in '83. For example, Listen Up sound equipment and technicians serve at local symphony concerts, public service activites, and sporting events such as the Coors International Bicycling Classic. Joint promotions with four of Denver's pop and classical radio stations involve CD marathons, as stations broadcast compact discs borrowed from Listen Up's library of nearly 500 titles.

'We believe not just in advertising but in marketing— communicating to people about what kind of store we are. And we're also a public service-oriented firm. We have a large public-service budget and provide free sound reproduction for service-type organizations,' noted Stinson.

'We're a large small dealer,' he continued. 'As we've gotten bigger, it has become harder to maintain a high-end image. But without dropping quality product, we appeal to a broad market and fill a geniune market niche in Denver.'

The 11-year-old multi-store operation, which includes a 4,500-sq.-ft. Boulder outlet and 15,000-sq.-ft. complex in Denver with service facilities, a commercial department, and a new autosound division, carries CD players from Yamaha, Sony, Denon, NEC, and Hitachi, among others. According to Stinson, 'Lower-priced units don't eliminate the need for high-end machines. For instance, we've done a lot better with the Sony 701 models at $1,500 than wih the 101 model at $900. Higher-priced units appeal to consumers with a significant investment in audio,' he explained.

Stinson projects CD players have the potential to claim at least 10 percent of a store's total audio volume in '84—'except that most dealers aren't aware that the hardware and software situation is changing faster than anticipated,' he stressed.

'CD is the most significant development since the LP. It's the hottest product of '84, but dealers must support it aggressively by educating consumers and reaching out to the public to accept the format.'

BLANK AUDIO CASSETTES

	Total Sales to Dealers in Units (Thousands)	Total Factory Sales in Dollars (Millions)
1981	201,439	242
1982	186,447	219
1983 (proj.)	215,000	230
1984 (est.)	225,000	240

Source: EIA/CEG